

# EXHIBIT 9

FORBES > FORBES DIGITAL ASSETS

EDITORS' PICK

# Jack Dorsey-Backed Lightning Labs Raises \$10 Million To Build Visa Network For Bitcoin

**Michael del Castillo** Forbes Staff

*Senior editor covering bitcoin and other blockchain applications.*

Follow

Feb 5, 2020, 10:00am EST



Listen to article 9 minutes



 This article is more than 3 years old.



Lightning Labs co-founder Elizabeth Stark on stage at The Lightning Conference.

LIGHTNING LABS / ENID VALU

Bitcoin payments startup Lightning Labs has raised \$10 million to expand its payments network that lets companies and individuals spend bitcoin as easily as more traditional services. Building on a seed round from Square founder Jack Dorsey, Robinhood co-founder Vlad Tenev, and Litecoin creator Charlie Lee, among others, Craft Ventures led the round, with a who's who of traditional investors participating, including Howard Morgan, former global co-head of securities at Goldman Sachs, John Pfeffer, formally of KKR, and *Forbes* 30 Under 30 alum [Jill Carlson](#) of Slow Ventures, and formerly a trader at Goldman Sachs.

In addition to the capital raise, Palo Alto-based Lightning Labs today launched its first financial services product, Lightning Loop, to monetize the so-called "layer-two" technology that sits on top of the bitcoin blockchain by making it easier for startups to accept the cryptocurrency. With traditional bitcoin payments firms like Bitpay and Coinbase making significant headwinds in cryptocurrency payments using more traditional technology, the one-two punch of fundraising and a product launch using the more efficient Lightning is a positive sign for the network's adoption.



But competition is right around the corner. Last month a team of five people working at payments giant Square's crypto offices announced it was working on its own developer kit to make it easier to build on Lightning. If this new breed of cryptocurrency products catches on it would amount to a Visa payments network, without Visa as a gate-keeper, according to Lightning Labs co-founder and CEO Elizabeth Stark. "We're building the Visa network for bitcoin,"

says Stark. “But what I think is powerful, is unlike Visa, anybody can build on top of it.”

Founded in 2016, by Stark and *Forbes* 30 Under 30 alum [Olaoluwa Osuntokun](#), Lightning Labs is building on the open source Lightning Network codebase, a platform similar to the Visa network, which sits on top of a collection of banks and allows for instant payments. But unlike Visa, the Lightning Network consists of 11,000 nodes that anyone can run, and relies on the underlying, decentralized bitcoin network for its liquidity, not the traditional financial system.

---

MORE FOR YOU

**Meet The Unknown Immigrant Billionaire Betting Her Fortune To Take On Musk In Space**

**To Succeed, Every Manufacturer Must Become A Lean, Mean Strategic Machine**

**Retro-Futuristic Series ‘Hello Tomorrow!’ Features Some Smarmy Salespeople, But What They’re Really Selling Is Hope**

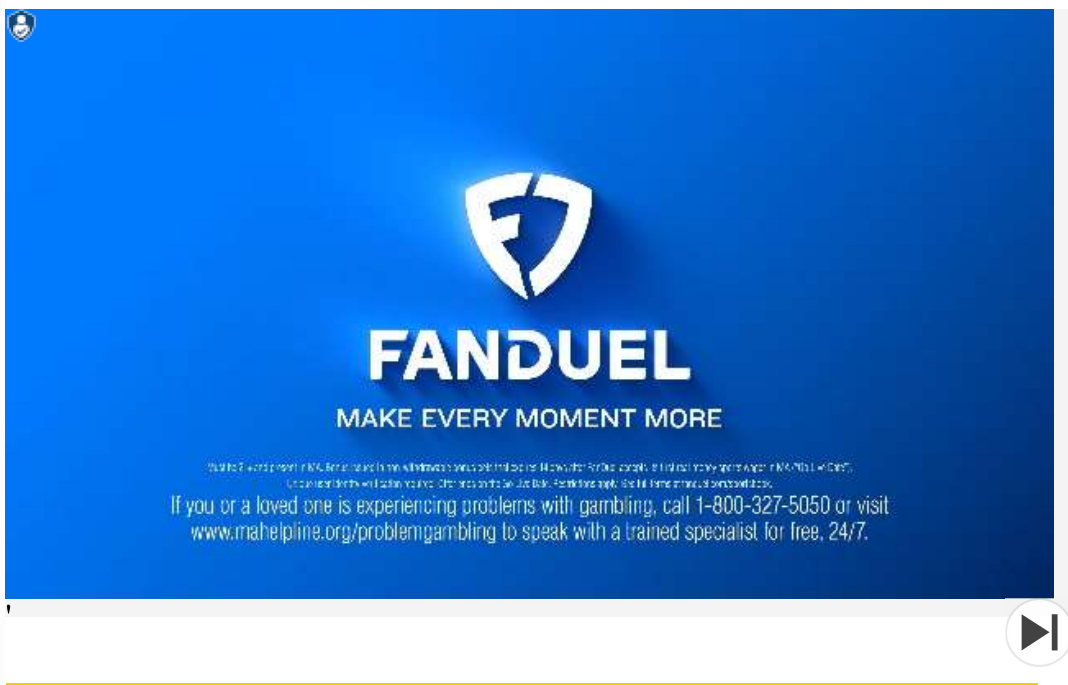
---

Since launching its first test version of the network that used real bitcoin in March 2018, 4,000 developers have started building on the technology, according to Stark, including 30 startups, such as San Francisco-based Fold App, which lets users shop at Amazon, Uber and Target using Lightning and earn bitcoin rewards; San Francisco-based bitcoin brokerage River Financial, which lets users buy and sell bitcoin on Lightning; and Hong Kong-based cryptocurrency exchange Bitfinex, which in December 2019 started running its own Lightning node.

For some comparison, the entire bitcoin ecosystem, including funds held onto by investors, totals about \$171 billion, only \$30 million of which actually moves on a daily basis. Visa on the other hand,

transacted an average of \$22 billion a day in 2018. In order to chip into that massive payments market share Stark says startups like hers need to build products that can handle more than bitcoin's seven transactions per second (Visa can **conduct** as many as 65,000 transactions per second), and more advanced financial products for which people are actually willing to pay. So, while building on open-source technology like Lightning can be difficult to monetize in the early years, Stark believes a suite of financial services products being built on-top of the network could help make Lightning Labs self-sustaining.

AD



Publicly launched today, Lightning Loop is the company's first such paid product, charging tens of basis points per transaction to help companies store bitcoin directly on the Lightning Network without Lightning Labs, or another third party, taking custody of the cryptocurrency—as opposed to custodial solutions where regulated software providers hold the cryptocurrency for their customers. In the last 90 days since the platform launched to a closed group of

testers it has more than doubled in volume, according to Stark, who describes the volume as “not insignificant.”

“People think: ‘lightning is open source, how can you make money off of it?’” she says. “But really we’re building a new type of financial network for financial markets, which has all these interesting possibilities.”

To help complete other monetized financial products Stark says are currently in development, Lightning Labs plans to spend the new round of capital on hiring new developers, a project manager and a business strategist. The company has grown from 11 employees a year ago to 16 employees today, and plans to hire as many as six more over the next year. While Stark declined to share details about the other financial products in development, she added that the company will be working to integrate Wumbo functionality, code named after a [bit in Sponge Bob Square Pants](#), which promises to increase the transaction capacity of each Lightning channel from about .167 bitcoin or about \$1,500, paving the way for a whole range of financial products.

To give an idea of the competition in the space, newly launched Coinbase Commerce processed \$135 million worth of cryptocurrency payments in 2019 without using Lightning, while veteran cryptocurrency payment processor Bitpay transacted \$1 billion for its merchants last year, and is now evaluating whether or not to add support for Lightning wallets. Also, in spite of being an investor in Lightning Labs, Square co-founder Jack Dorsey earlier this year revealed his company was working on potentially competing software for developers to build on the Lightning Network.

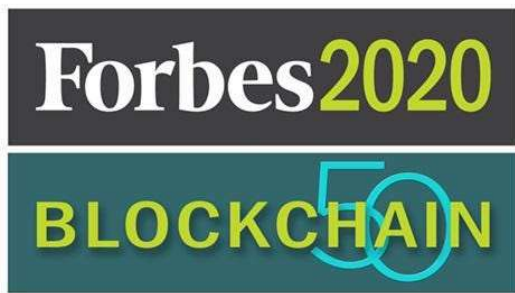
As far as new Lightning Investor Jill Carlson of Slow Ventures is concerned, the more the merrier. Carlson, 29, spent two years

studying what makes people spend (or not spend) bitcoin. In addition to helping allocate the blockchain portion of Slow Ventures \$220 million fund, Carlson, founded the non-profit Open Money Initiative, which is conducting firsthand research with individuals in Venezuela who use bitcoin instead of the nation's hyper-inflated bolivar.

Carlson says the reason Venezuelans spend bitcoin is because the pain of using such an unstable currency outweighs the difficulty of spending bitcoin. But as projects like Lightning take off, which make spending bitcoin easier, that pain threshold will lower, making spending more likely. "Looking at the size of lightning specifically and bitcoin more broadly, it still feels so huge of an untapped area that I think it's one of the few venture opportunities where we could see the 1,000X growth that we're looking for," Carlson says.

Another new Lightning investor John Pfeffer, who previously led KKR's private equity investments in the European retail industry, co-founded Pfeffer Capital with his wife in 2011, and bought his first bitcoin in 2016, when the price was about \$400, compared to about \$9,500 today. Since then, Pfeffer has invested directly in the development of bitcoin's code by sponsoring numerous core developers who might otherwise be forced to work (or not work) on the open-source software for free, as well as making donations to non-profit advocacy group Coin Center, MIT's Digital Currency Initiative and co-founding Bitcoin Optech to help bitcoin users better implement technology that helps bitcoin scale, all of which he believes could help strengthen the underlying asset class, but aren't likely to generate any short-term returns. On the other hand, Pfeffer describes Lightning Labs as a rare opportunity for both to happen.

“It’s good for bitcoin,” he says. “And we think it’s potentially a very attractive direct investment opportunity on its own.”



#### CLICK HERE FOR:

- Logo Licensing
- Reprints
- Plaques/Awards
- Premium Profile

*Follow me on [Twitter](#) or [LinkedIn](#). Check out my [website](#). Send me a secure [tip](#).*



Michael del Castillo

Follow

I report on how blockchain and cryptocurrencies are being adopted by enterprises and the broader business community. My coverage... **Read More**

[Editorial Standards](#)

[Reprints & Permissions](#)

ADVERTISEMENT